

# Porsche study case essay



**ASSIGN  
BUSTER**

Porsche: The Crisis of 1992 1. What challenges was Porsche facing in 1992?

When Dr Wendelin Wiedeking was assigned his new job, the position could not be more challenging: \* Porsche's unit sales had dropped from a high 60 000 a few years earlier to less than 15 000 in 1992 \* Declining financial results (negative net income) \* Automotive industry in crisis \* Difficult competitive environment especially with the Japanese luxury automakers \* Rumors of takeover by another car manufacturer \* Departure of many of Porsche's key directors (R& D, Marketing, Production) 2.

What were the key drivers that put Porsche into this situation? Internal factors \* A production model expensive and not adapted: too many model lines and different versions resulting in Porsche cars travelling all across Germany. Globally, a traditional approach to production, using high tech and sophisticated processes whereas the whole industry was changing its process \* Major problem of quality: rarely was a finished vehicles without defects \* High level of stocks \* Too many suppliers (about 1000 in 1992) \* The company was sustained on a single model: the Porsche 911.

No real new model in the pipeline. Other models barely profitable for Porsche (924) and mostly overpriced or at least not perceived by customer as worth the price \* A former top management (CEO) too focused on engineering and not enough on R& D and production: " far from the shop floor" \* Instability of the top management: 4 different CEOs between early 1980 and end of 1992. A " Two-family business" very difficult to exist within External factors \* Automotive industry in a crisis \* Unfavorable DM/USD exchange rates for the important US market 3.

What 3 challenges can you identify for a Porsche turn-around in 1992? \*

Change/simplify its traditional production model by using lean production techniques and in order to gain in efficiency and quality. (for example, develop an engine assembly line that could be used for two different engines). This should also come with decrease of stocks level. \* Rethink engineering for example by using common parts across platforms for the Porsche models or even share common platforms with other car manufacturer \* Invest in R& D: develop new models aside its 911 while paying attention on the Porsche fans/enthusiasts.

The challenge here is to be able to compete with the Japanese manufacturers 4. How do you see Porsche today? \* Porsche is a very profitable company which has succeeded to go from exceptional race cars into luxury sports car and then transition into larger vehicles (Boxster, Cayenne) \* Porsche has also conquer new international markets (Asia for instance) outside the US and Europe. The brand is again considered as a top brand, envied by most of its competitors (Japanese) \* Porsche production model has evolved integrating “ lean techniques” in mid 90’s